

Wire transfers

What is a wire transfer?

1. The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the Act) contains a set of obligations for reporting entities to enhance the transparency of wire transfers. Wire transfers have been assessed in the National Risk Assessment¹ as presenting a high risk of money laundering in New Zealand, which is consistent with experience overseas.
2. The definition of wire transfer in section 5 of the Act covers transactions to transfer funds by electronic means (including instructions sent via the SWIFT network or by internet-based systems). Electronic transactions made on behalf of customers that are accompanied by payment instructions are wire transfers where the payment is to be made to an account, facility or other arrangement at another institution.
3. Funds transfers to settle the purchase of securities or to redeem investments are wire transfers where the payment is being made to another institution.
4. For the purposes of the Act, transactions involving the use of debit or credit cards at ATMs or to pay for goods and services are not wire transfers if the credit or debit card number accompanies the transaction (so that the transfer can be readily reconstructed and traced to the card holder). Transfers and settlements between financial institutions, if both the Originator and the Beneficiary/Payee are financial institutions acting on their own behalf, are not wire transfers for the purposes of the Act.
5. The obligations relating to wire transfers are intended to reflect the Financial Action Taskforce (FATF) approach to wire transfers. The AML/CFT supervisors have interpreted the Act where possible, to reflect the FATF definitions. Adopting FATF recommendations, where appropriate, is one of the purposes of the Act.

Who are the parties to a wire transfer?

6. The parties to a wire transfer are as follows:
7. **Originator:** The person for whom the Ordering Institution is carrying out the funds transfer. This is referred to as the Payer in the definition of Ordering Institution in the Act. This is the person who authorises the wire transfer by giving the

¹ New Zealand Police Financial Intelligence Unit [National Risk Assessment 2010](#).

instruction as the account or facility holder, or the person who seeks to place the order.

8. **Ordering Institution:** The person (usually a financial institution) who is instructed by the Originator to transfer funds controlled by the Originator to the Beneficiary/Payee by electronic means. Depending on the circumstances the Originator may be the same person as the Beneficiary/Payee.
9. Often the Ordering Institution is the first institution that enters the transaction into a payment system. However, where a person uses another financial institution's system, who the Ordering Institution is may depend on the nature of the arrangement between the financial institutions, for example agency arrangements.
10. **Intermediary Institution:** A person (usually a financial institution) who participates in a transfer of funds, but is not an Ordering Institution or a Beneficiary Institution. The Intermediary Institution receives and transmits the wire transfer to the Beneficiary Institution or to another Intermediary Institution in the funds transfer chain.
11. **Beneficiary Institution:** The person (usually a financial institution) who receives the wire transfer from the Ordering Institution, directly or indirectly through an Intermediary Institution and then makes the funds available to the Beneficiary/Payee by crediting an account held by the Beneficiary/Payee with the Beneficiary Institution or paying the funds to the Beneficiary/Payee (e.g. by paying the funds out in cash).
12. **Beneficiary/Payee:** This person is referred to as either the Payee or Beneficiary in the Act and the Anti-Money Laundering and Countering Financing of Terrorism (Requirements and Compliance) Regulations 2011, as amended. This is the person who is identified by the Originator as the receiver of the funds that the Originator instructs the Ordering Institution to transfer. The Beneficiary/Payee may be the same person as the Originator.

What are the responsibilities placed on reporting entities that are Ordering, Intermediary, or Beneficiary Institutions?

13. Reporting entities are required to develop and implement appropriate policies, procedures and processes in their respective capacities as Ordering, Intermediary, and Beneficiary Institutions in a wire transfer. These policies, procedures and processes should ensure that reporting entities include required Originator and Beneficiary/Payee information in payment messages and that they do not omit, delete or alter information in payment messages.
14. The enhanced customer due diligence requirements relating to wire transfers in sections 27 and 28 of the Act relate to the information required to accompany the wire transfer. These requirements are in addition to any customer due diligence requirements that would apply to customers and other persons under section 11 of the Act. The obligation to conduct customer due diligence to the standard required by sections 15 and 16 of the Act, if appropriate, still applies.

15. Customer due diligence requirements for wire transfers are designed to enable information on the parties to a wire transfer to be immediately available so as to hinder the anonymous use and misuse of wire transfers by money launderers and financiers of terrorism.
16. Sections 27-28 of the Act and regulation 7 of the Anti-Money Laundering and Countering Financing of Terrorism (Requirements and Compliance) Regulations 2011, as amended, set out the information that must be collected about the Originator and Beneficiary/Payee to be included in payment instructions that accompany the wire transfer. These provisions also set out the various mechanisms that must be used to ensure that complete and accurate information has been included in such instructions.
17. A reporting entity must conduct enhanced customer due diligence in accordance with sections 27 and 28 of the Act if it is an Ordering Institution, an Intermediary Institution, or a Beneficiary Institution in relation to a wire transfer, except where the wire transfer is \$1,000 or less (section 22(3) of the Act and regulation 5A of the Anti-Money Laundering and Countering Financing of Terrorism (Definitions) Regulations 2011, as amended).²
18. Where the Originator is an existing customer of the Ordering Institution that has not been subject to customer due diligence to the standard required of the Act, reporting entities may need to review the information held on the customer to ensure it complies with the identity and verification of identity requirements in sections 27 and 28 of the Act.

For Ordering Institutions

19. An Ordering Institution that is a reporting entity must ensure that wire transfers over the \$1,000 threshold are accompanied by the required Originator and Beneficiary/Payee information.
20. For cross-border wire transfers the information obtained under section 27(1) of the Act by a reporting entity that is an Ordering Institution must accompany the wire transfer.³ This information consists of Originator and Beneficiary/Payee information. The required Originator information is the Originator's full name, account number if available, and at least one of the following: address, national identity number, customer identification number or place and date of birth. The required Beneficiary/Payee information is the Beneficiary/Payee name and account number or unique transaction reference.
21. For domestic wire transfers the Act provides two ways of fulfilling due diligence obligations. Firstly, a reporting entity that is an Ordering Institution may include the Originator information required under section 27(1) of the Act in the information that accompanies the wire transfer. Secondly, Ordering Institutions may only include the Originator's account number or any other information that enables the wire transfer to be identified and traced to the Originator (e.g. a

² Ongoing account monitoring (section 31 of the Act), record keeping (sections 49 and 50 of the Act) and suspicious activity reporting (section 40 of the Act) obligations continue to apply.

³ Cross-border wire transfers are wire transfers where the Ordering Institution, the Intermediary Institution, and the Beneficiary Institution are not all in New Zealand.

transaction reference number) (section 27(2) of the Act and regulation 7 of the Anti-Money Laundering and Countering Financing of Terrorism (Requirements and Compliance) Regulations 2011).⁴ The Ordering Institution may only take advantage of the second option involving reduced information requirements for domestic wire transfers, where the Ordering Institution is able to provide the other information specified in section 27(1) of the Act within three working days of a request being made by the Beneficiary Institution.

22. The Ordering Institution must, according to the level of risk involved, verify the Originator's identity so that the reporting entity is satisfied that the required Originator information provided under section 27 is current and correct (section 28 of the Act). Verification of the Originator's identity must be carried out before the wire transfer is ordered. The Originator's identity should be verified on the basis of documents and data or information issued by a reliable and independent source. The information gathered may assist the Ordering Institution with ongoing account monitoring.
23. Ordering Institutions are required to obtain (but not verify) identity information on the Beneficiary/Payee of a wire transfer over the threshold of \$1,000.⁵ The information required is the name of the Beneficiary/Payee of a wire transfer and the account number of that Beneficiary/Payee or any unique transaction reference that allows the transaction to be traced.

For Intermediary Institutions

24. An Intermediary Institution that is a reporting entity must ensure that all information that accompanies a wire transfer is retained with it when transmitted to another Intermediary Institution or Beneficiary Institution (section 27(6) of the Act).

For Beneficiary Institution

25. A Beneficiary Institution must use effective risk-based procedures for handling wire transfers that are not accompanied by all the information specified in section 27(1) of the Act and consider whether wire transfers lacking full information constitute suspicious transactions (section 27(5) of the Act). The procedures should assist Beneficiary Institutions to determine when to execute, reject or suspend wire transfers lacking required Originator or Beneficiary/Payee information and the appropriate follow-up action to take (e.g. requesting further information from the Ordering Institution about the instruction or filing a suspicious transaction report).

⁴ Domestic wire transfers are wire transfers where the Ordering Institution, the Intermediary Institution, and the Beneficiary Institution are all in New Zealand.

⁵ Regulation 7 of the Anti-Money Laundering and Countering Financing of Terrorism (Requirements and Compliance) Regulations 2011 as amended.

26. A Beneficiary Institution receiving any wire transfer over \$1000 (whether the transaction is carried out in a single operation or several operations that appear to be linked) outside a business relationship is declared an occasional transaction for the purposes of the Act. Therefore, a Beneficiary Institution of a wire transfer over \$1000 must ensure that customer due diligence is carried out on the Beneficiary/Payee of a wire transfer before funds are released.⁶

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⁶ Regulation 13A of the Anti-Money Laundering and Countering Financing of Terrorism (Definitions) Regulations 2011 as amended.